

April 15, 2019

Mr. Jose Gomez, Director of Administrative Services Department
City of Lakewood
5050 Clark Avenue
Lakewood, CA 90712

Dear Mr. Gomez:

Subject: 2019-20 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Lakewood Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period of July 1, 2019 through June 30, 2020 (ROPS 19-20) to the California Department of Finance (Finance) on January 31, 2019. Finance has completed its review of the ROPS 19-20.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item Nos. 18, 19, and 20 – Supplemental Educational Revenue Augmentation Fund in the amount of \$3,215,951, \$662,108, totaling \$3,878,059, and Educational Revenue Augmentation Fund in the amount of \$90,492, respectively, is not allowed.

HSC section 34191.4 (b) (3) (A) allows this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in preceding fiscal year and the ROPS residual pass-through distributed to the taxing entities in the fiscal year 2012-13 base year.

According to the Los Angeles County Auditor-Controller's (CAC) report, the amounts distributed to the taxing entities for fiscal year 2012-13 and 2018-19 are \$4,699,068 and \$3,381,602, respectively. Therefore, pursuant to the repayment formula, the maximum repayment amount authorized for the ROPS 19-20 period is zero. As a result, the \$3,215,951, \$662,108 and \$90,492 requested are not eligible for the Redevelopment Property Tax Trust Fund (RPTTF). The Agency may be eligible for additional funding on a subsequent ROPS.

- Item No. 30 – Proportionate Share of Unfunded Pension Liability in the total outstanding amount of \$567,478 is not allowed. Finance continues to deny this item. Finance initially denied this item because the contractual obligation for the unfunded pension liability is between the California Public Employees' Retirement System and the City of Lakewood (City), and the former Redevelopment Agency (RDA) is not a party to the contract. In addition, during the ROPS 17-18 review the Agency further contended they are obligated to reimburse the City for its share of unfunded pension liability based on the Reimbursement Agreement (Agreement) between the City and the Agency dated June 25, 2002. Pursuant to HSC section 34171 (d) (2), agreements between the City and the former RDA are not considered enforceable. Therefore, the Agreement is not enforceable and the requested amount of \$567,478 is not eligible for RPTTF funding.

- The claimed administrative costs exceed the allowance by \$250,000. HSC section 34171 (b) (3) limits the fiscal year Administrative Cost Allowance (ACA) to three percent of actual RPTTF distributed in the preceding fiscal year or \$250,000, whichever is greater; not to exceed 50 percent of the RPTTF distributed in the preceding fiscal year. As a result, the Agency's maximum ACA is zero for fiscal year 2019-20. Although \$250,000 is claimed for ACA, only zero is available pursuant to the cap. Therefore, as noted in the table below, \$250,000 in excess ACA is not allowed:

Administrative Cost Allowance Calculation	
Actual RPTTF distributed for fiscal year 2018-19	\$ 288,200
Less distributed Administrative RPTTF	(250,000)
Less sponsoring entity loan repayments	(38,200)
RPTTF distributed for 2018-19 after adjustments	0
ACA Cap for 2019-20 per HSC section 34171 (b)	0
ACA requested for 2019-20	250,000
ACA in Excess of the Cap	\$ (250,000)

Further, Finance notes the Oversight Board (OB) has approved an amount that appears excessive, given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the OB to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the OB to apply adequate oversight when evaluating the administrative resources necessary to successfully wind-down the Agency.

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations. Reported differences in RPTTF are used to offset current RPTTF distributions. The amount of RPTTF approved in the table on Page 4 includes the prior period adjustment resulting from the County Auditor-Controller's review of the prior period adjustment form submitted by the Agency.

Except for the items adjusted, Finance is not objecting to the remaining items listed on the ROPS 19-20. If the Agency disagrees with our determination with respect to any items on the ROPS 19-20, except items which are the subject of litigation disputing our previous or related determinations, the Agency may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available on our website:

http://dof.ca.gov/Programs/Redevelopment/Meet_And_Confer/

The Agency's maximum approved RPTTF distribution for the reporting period is \$29,709 as summarized in the Approved RPTTF Distribution table on Page 4 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1 through December 31 period (ROPS A period), and one distribution for the January 1 through June 30 period (ROPS B period) based on Finance approved amounts. Since this determination is for the entire ROPS 19-20 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 19-20. This determination only applies to items when funding was requested for the 12-month period. If a denial by Finance in a previous ROPS is currently the subject of litigation, the item will continue to be denied until the matter is resolved.

The ROPS 19-20 form submitted by the Agency and this determination letter will be posted on our website:

<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

This determination is effective for the ROPS 19-20 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items is limited to confirming the scheduled payments as required by the obligation.

The amount available from RPTTF is the same as the amount of property tax increment available prior to the enactment of redevelopment dissolution law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in RPTTF.

Please direct inquiries to Kylie Oltmann, Supervisor, or Nicole Prisakar, Lead Analyst, at (916) 322-2985.

Sincerely,



JENNIFER WHITAKER
Program Budget Manager

cc: Ms. Edianne Rodriguez, Finance Manager, City of Lakewood
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County

Attachment

Approved RPTTF Distribution For the period of July 1, 2019 through June 30, 2020			
	ROPS A Period	ROPS B Period	ROPS 19-20 Total
RPTTF Requested	\$ 2,928,053	\$ 1,646,176	\$ 4,574,229
Administrative RPTTF Requested	125,000	125,000	250,000
Total RPTTF Requested	3,053,053	1,771,176	4,824,229
RPTTF Requested	2,928,053	1,646,176	4,574,229
<u>Adjustments</u>			
Item No. 18	(1,607,975)	(1,607,976)	(3,215,951)
Item No. 19	(662,108)	0	(662,108)
Item No. 20	(90,492)	0	(90,492)
Item No. 30	(567,478)	0	(567,478)
	(2,928,053)	(1,607,976)	(4,536,029)
RPTTF Authorized	0	38,200	38,200
Administrative RPTTF Requested	125,000	125,000	250,000
Excess Administrative Costs	(125,000)	(125,000)	(250,000)
Administrative RPTTF Authorized	0	0	0
Total RPTTF Authorized for Obligations	0	38,200	38,200
Prior Period Adjustment	0	(8,491)	(8,491)
Total RPTTF Approved for Distribution	\$ 0	\$ 29,709	\$ 29,709